Mci the rise and fall essay

ASSIGN BUSTER

Organizations are responsible for all the legal, ethical and social issues that affect each stakeholder within the company. These factors impact the planning process performed at each level of management. When an organization neglects to establish and monitor the plans set forward things can become disorganized and ultimately the organization can lose control of what was originally established. This paper will discuss examples of poor planning due to the disregard of legal, ethical and social issues and the influence of the company's strategic, tactical, operational and contingency planning.

It all began in Clinton, Mississippi in 1985 when Long Distance Discount Services selected Bernard Ebbers to be its CEO. The company name was changed to LDDS WorldCom in 1995 and later just known as WorldCom. MCI, Inc. was a telecommunications company that was headquartered in Ashburn, Virginia.

This was a result of the merger of WorldCom and MCI Communications. They used the name MCI WorldCom but officially became WorldCom on April 14, 2003 " as part of the corporation's emergence from bankruptcy. " (MCI Inc) MCI had a history of acquiring companies that led to the breakup of the AT & T monopoly. WorldCom on the other hand, was the United States second largest long distance phone company. WorldCom's strategic plan was implemented by acquiring other telecommunications company.

Among the companies that were bought or merged with WorldCom are Advanced Communications Corp. in 1992, Metromedia Communication Corp in 1993, Reurgens Communications Group also in 1993, IDB Communications

Group, Inc in 1994, Williams Technology Group, Inc in 1995 and MFS Communications Company in 1996. Due to the increased popularity of the internet and the acquirement of UUNet, WorldCom's share significantly increased. WorldCom had become an attractive investment on Wall Street. " However the continual attainment of these business transactions created an overwhelming situation for WorldCom management. " (Moberg & Romar) The management at WorldCom was poorly planned and was the reason that eventually led bankruptcy of the successful corporation.

There were three major responsibilities that WorldCom were to upheld and that was Legal, Ethical and Social. I will now discuss where they went wrong. Legal Responsibilities These reflect the company's obligations to comply with the laws that regulate day-to-day business activities. The legal responsibilities are supplemental to the requirement that businesses and their employees comply fully with the general and criminal laws that apply to all individuals and institutions across the county.

These include labor laws, insider trading and self-dealing, falsifying statistics, inflating revenues, hiding expenses, and defrauding investors and regulators. In recent years failures to adhere to the law have recently produced some of the greatest scandals in the history of American free enterprise. WorldCom failed to plan properly the economic features of all gained companies into a single organization. Management had a legal responsibility to ensure that accounting rules were followed and all monetary operations were correctly documented. At the beginning of the fraud was Chief Executive Officer and founder Bernard Ebbers. In addition to instructing others to doctor the

financial situation, he also borrowed almost four hundred million dollars from the company to pay the margin call on his personal stock.

WorldCom's high level management intentionally falsified financial reports and declared fraudulent stock data to the United States Securities and Exchange Commission. These acts were a violation of the Securities Act of 1993 which objectives are that investors obtain accurate reports of a company's commerce to prevent misleading securities sales. (The Laws That Govern The Securities Industry) The activities at WorldCom did not match with the company's overall mission and goals. The management should have considered general accounting practices during their strategic planning and create procuders that would protect all stakeholders in the organization and not just some.

The legal responsibilities work hand in hand with the ethical responsibilites which will be explored in the next section. Due to poor ethicial business choices the management at WorldCom participated in illegal practices. Ethical Responsibilities The ethical responsibility within management was to dignify business practices above self interest. Illegal actions produced short term gains at the expense of longterm relationships. Not only did WorldCom managers intentionally manipulate business transactions but they also witheld information about shareholdings.

They displayed actions of greed and lied about financial assets in order to gain additional executive compensation. Decisions only benefited themselves and shareholders instead of all takeholders within the company. WorldCom needed a dose of moral judgment instead of just thinking about

the economic factors. WorldCom did not develop plans in the interest of their workers and suppliers. To prevent the use of dishonest methods toward advancement, many companies require honor codes.

Many social responsibilities that organizations employ help to safeguard against unethical business practices. Social Responsibilities If social responsibilites were applied at WorldCom it could have prevented the companies downfall in 2002 due to unethical practices. A check and balance system that are commonly used throughout the business world did not takes place at WorldCom. But WorldCom corporate governance failed to observe the corrupt procedures of the high level management of the high level management.

(Chang) WorldCom CEO Ebbers had free reign over company decisions and politics. The board was not involved enough with the company or employees. And Ebbers was an authoritative member over the board. A business needs to plan how an effective corporate governance system should operate.

Companies need to develop a system where they can govern a controlling Chief Executive Officer. The CEO should not be the sole determinate of decisions within the company. Strategic Planning WorldCom strategic planning was based around the popularity of the internetr and acquisitions that increased the capital assets of the company. This approach seemed successful considering the increase of their stock prices.

However, what WorldCom did not plan for was the operation of combining all the new companies. During their planning phase the management needed to create all new missions, statements, goals and objectives that would involve

all new and exisiting stakeholders. Tactical Planning The tactical phase should have institute a plan for the allocation of personnel. Middle management should have taken the opportunity to revise their plan of action to incorporate on how to handle all the additional business that was now attached with the company, accounting of the gained assets and resources throughout the company. Operational, Contingency Planning Frontline managers jobs would be to prepare all employees both new and old about the upcoming changes in mission statements and operations throught the company.

WorldComs main focus on contingency planning should have consist of how to handle potential problems with the customers, failure of billing systems, and outsourcing to relieve all the globalization. Conclusion All the inadequate planning and dishonest business practices proved to be fatal and led to the filing of bankruptcy of protection in 2002. (Moberg & Romar) All the uncovering of corrupt business procures caused the United States Securities and Exchange Commission to establish the Sarbanes-Oxley Act of 2002. This Act mandated a number of reforms to enhance corporate responsibility, enhance financial discloures, and combat corporate and accounting fraud, and create the Public Company Accounting Oversight Board also known as PCAOB, to oversee the activiities of the auditing profession. (The Laws That Govern The Securities Industry) Companies are responsible for the legal, ethical, and social issues that affect each stakeholder within the company.

All levels of management need to consider all stakeholders in order to operate successful business endeavors. Bibliograpghy Chang, H. (n. d. .

What Led to Enron, WorldCom, and the like? Retrieved 01 16, 08, from Stanford Graduate School of Business: www. gsb. stanford. edu/news/headlines/2003alumniwkend_mcnichols.

shtml MCI Inc. (n. d.).

Retrieved from Wikipedia: http: www. wikipedia. org Moberg, D. , Romar, E. (n.

d.). WorldCom. Retrieved 01 19, 2008, from Markkula Center For Applied Ethics: www. scu. edu/ethics/dialogue, candc/cases/worldcom.

html The Laws That Govern The Securities Industry. (n. d.). Retrieved 01 18, 2008, from United States Securities and Exchange Commission: www.

sec. gov/about/laws. s. html